Federal Ministry
Economy, Energy
and Tourism
Republic of Austria

FIW
Research Centre
International Economics

Policy Brief No. 77, November 2026

The Gulf and the Bosporus: Austria's Trade Relations with the UAE, Saudi Arabia and Türkiye

Heider Kariem
(WIFO Austrian Institute of Economic Research)

This policy brief discusses recent macroeconomic and trade developments in the United Arab Emirates, Saudi Arabia and Türkiye as well as the patterns of their trade with Austria, identifying where Austrian exporters are well positioned and where structural obstacles remain. Against a backdrop of geoeconomic fragmentation, the trade-policy turn in the United States and maturing demand in Austria's established European markets, the diversification of export destinations has gained importance for Austrian economic policy. The three economies are large markets with distinct features: the UAE's role as a regional trade hub and its rapidly expanding network of trade agreements; Saudi Arabia's fossil-fuel-based economy with a large state-led investment programme to diversify it and a series of major international events ahead, and Türkiye's integration into European value chains through the customs union and the international reach of its construction sector. Austrian firms export to all three from positions of relative strength in machinery, metals, wood and paper products and instruments, sectors that correspond closely to the demand these economies are expected to generate. At the same time, the three markets account for 5.5% of Austria's extra-EU exports and Austria's market shares have developed less dynamically than those of other EU exporters over the past decade, which points to scope for expansion. A gravity-model analysis indicates that a free trade agreement between the EU and the UAE of the kind the EU has concluded with other partners could raise Austrian exports to the UAE by about 18% in the medium to long run, with the largest effects in transport equipment, metals and chemicals. The brief concludes that the sectoral basis for a stronger Austrian presence exists and that the EU–UAE agreement, presence in the procurement networks of the Gulf, including through Türkiye, and the modernisation of the customs union are the main levers for realising it, while the geopolitical shocks of 2026 add uncertainty that cannot yet be quantified.

1. Introduction

With its established markets largely mature, Austria's export economy is increasingly looking for new growth markets. In addition, the EU's economic-security agenda and the trade-policy turn in the United States have strengthened the case for diversifying export destinations, raising the question of which extra-EU markets offer realistic growth prospects for Austrian firms (see FIW Policy Briefs No. 73 and 75; Oberhofer et al., 2026). This policy brief examines three markets whose potential for Austrian exporters rests on different foundations: the United Arab Emirates (UAE), Saudi Arabia and Türkiye. Each market has its own characteristics, with specific opportunities and challenges for Austrian exporters. The UAE is generally seen as a regional hub and gateway to the Gulf, South Asia and Africa, with an established Austrian business presence. Saudi Arabia is seen as a growth and project market, particularly due to its Vision 2030 programme which aims to diversify the economy away from oil and gas. This plan is being implemented through large-scale investment projects in infrastructure, tourism, health and industry, with the EXPO 2030 in Riyadh and the FIFA World Cup 2034 as concrete milestones. Türkiye, finally, is a manufacturing economy integrated into European value chains through the EU customs union, with potential in infrastructure, green technologies and automotive supply chains, and the only one of the three with which Austria has a two-way trade relationship.

The brief discusses recent macroeconomic and trade developments in the three economies as well as the

patterns of their trade with Austria, identifying where Austrian exporters are well positioned and where structural obstacles remain. It proceeds in four steps: Section 2 provides an overview of the three economies, their trade structure and their trade-policy relations with the EU. Section 3 documents Austria's trade with the three markets over the past 25 years, compares Austria's position with that of other EU exporters and identifies the sectors in which Austria holds a comparative advantage relative to the EU as a whole. Section 4 complements the descriptive evidence with a scenario analysis: it uses the gravity model of international trade, the standard tool for evaluating trade agreements in the economics literature (Yotov et al., 2016; Larch and Yotov, 2024), to gauge by how much Austrian exports to the UAE could change, by sector, if the free trade agreement currently under negotiation between the EU and the UAE were in place. Section 5 draws conclusions for Austrian trade policy and export promotion.

The analysis is conducted against the background of the war involving Iran that broke out in late February 2026 and the ensuing closure of the Strait of Hormuz, which affect the three countries very differently. The brief treats this shock as a risk factor whose trajectory cannot be assessed at this point (Section 2.4); the structural picture drawn in Sections 3 and 4 describes the pre-shock relationship.

2. The three economies: an overview

2.1 Macroeconomic snapshot

Table 1 summarises the key macroeconomic indicators of the three countries, which together are home to about 133 million people and generate a nominal GDP of USD 3,490 billion in 2025, roughly six times Austria's GDP and about one sixth of that of the EU-27. Türkiye is by some margin the most populous of the three (86 million inhabitants) and the largest economy in absolute terms (USD 1,603 billion), followed by Saudi Arabia (USD 1,274 billion) and the UAE (USD 614 billion). The ranking reverses once output is measured per capita, where the UAE leads at approximately USD 54,000, above the EU-27 average of USD 47,000 though below Austria's USD 63,000, followed by Saudi Arabia (USD 35,000) and Türkiye (USD 19,000). Both Gulf economies as well as Türkiye grew noticeably faster than Austria and the EU in 2025, at 6.2%, 4.6% and 3.7% respectively.

The latest IMF projections (IMF, 2026b) nevertheless foresee negative real growth for both Gulf economies in 2026, at −3.9% for the UAE and −3.3% for Saudi Arabia, which the IMF attributes to the disruption of Gulf trade following the closure of the Strait of Hormuz and to the wider spillovers of the war involving Iran, while Türkiye is projected to grow by 2.7%. The three economies enter this phase from different structural positions: the UAE's non-oil economy, led by tourism, real estate and logistics, had continued to expand before the 2026 shock, and its growing network of trade agreements has broadened the base of its external trade (IMF, 2025). Saudi Arabia's non-oil economy had grown by over 4% a year in 2024 and 2025 on the back of its public investment programme, but the recovery of both oil and non-oil activity is now tied to the normalisation of maritime traffic through the Strait (IMF, 2026a), whereas Türkiye's growth per worker has been slowing and its further convergence with OECD income levels depends on continued disinflation and on structural reforms that allow firms to move up in global value chains (OECD, 2025). The last two columns of Table 1 put Austria's position as a supplier into perspective: Austria ranks 32nd among the countries exporting to Türkiye, 41st for Saudi Arabia and 57th for the UAE, with import shares between 0.29% and 0.65% on average over 2022–2024, whereas the EU-27 as a bloc is the first or second largest source of imports for all three markets, with shares of 14% (UAE), 19% (Saudi Arabia) and 32% (Türkiye) in 2024, behind or alongside China.

Table 1: Selected macroeconomic indicators and Austria's position as supplier

	Population 2025 (m)	GDP 2025 (USD bn)	GDP p.c. 2025 (USD)	Real growth 2025 (%)	Real growth 2026 proj. (%)	AUT rank as supplier 2022–24	AUT import share 2022–24 (%)
United Arab Emirates	11.3	614	54,151	6.2	−3.9	57	0.29
Saudi Arabia	36.0	1,274	35,370	4.6	−3.3	41	0.41
Türkiye	85.8	1,603	18,676	3.7	2.7	32	0.65
Austria (memo)	9.2	580	63,180	0.8	0.6	–	–
EU-27 (memo)	450.9	21,298	47,233	1.5	1.4	–	–

Sources: IMF WEO (October 2026); CEPII BACI (HS02, release 2026-01); own calculations.

2.2 Trade structure and main partners

The three economies differ considerably in their openness and in the structure of their trade: the UAE is an entrepôt economy: goods trade amounted to 146% of GDP in 2025, and roughly half of its imports are re-exported (FCSC, 2021). Its main export destinations are India, Switzerland and China, and its main suppliers are China, which accounted for 20% of UAE imports in 2025, India and the United States. The EU-27's share in UAE imports has declined from about 30% in 2000 to 13% in 2025, while China's has risen from under 10% to 20% over the same period. Re-exports have been identified as a driver of UAE growth in their own right (Kalaitzi and Chamberlain, 2019), and the UAE's trade statistics accordingly capture a good deal of trade that originates or ends elsewhere, a point that matters for the interpretation of Austria's trade with the Emirates in Section 3.4.

Saudi Arabia's openness, with goods trade at 44% of GDP, is comparable to Türkiye's but far below that of the UAE, while its trade structure is the most concentrated of the three: mineral fuels still accounted for 73% of goods exports in 2024, down from 82% in 2010, with chemicals and plastics making up most of the remainder. On the import side, China has become by far the largest supplier with a share of 27% in 2025 compared with 12% in 2010, while the EU-27's share fell from 27% to 19% and that of the United States from 13% to 8% over the same period. Saudi import demand is closely tied to oil revenues, which is reflected in the sharp contraction of imports after 2014 and their recovery since 2021.

Türkiye, by contrast, is a diversified manufacturing economy that is integrated into European value chains and whose goods trade, at 40% of GDP, is of a similar order to Saudi Arabia's but very differently composed. The EU-27 takes 43% of Türkiye's exports and supplies 32% of its imports, with Germany the largest single partner on both sides, while China (14%) and Russia (12%, mainly energy) are the other main suppliers. Türkiye's export basket is spread across textiles, vehicles, machinery, metals and food, so that no single product group dominates, in contrast to the two Gulf economies where mineral fuels account for well over half of exports.

2.3 Trade-policy relations with the EU

The three countries also stand in very different trade-policy relationships with the EU (Table 2): the **UAE** has no preferential agreement with the EU so far. Negotiations on an EU–GCC free trade agreement, begun in 1990, have been suspended since 2008. In May 2025 the EU and the UAE opened bilateral negotiations on a free trade agreement; seven rounds had been completed by July 2026, an eighth was scheduled for October. In parallel, the UAE is pursuing a network of Comprehensive Economic Partnership Agreements (CEPAs) with Asian and other partners as part of its target of raising non-oil foreign trade (exports, re-exports and imports) to AED 4 trillion, about USD 1.1 trillion, a year by 2031. A further agreement, with the Eurasian Economic Union, entered into force in October 2026. An earlier one, with Türkiye, links two of the three markets examined here: since it entered into force in September 2023, non-oil trade between the UAE and Türkiye, in both directions and including re-exports, has grown rapidly, reaching USD 45 billion in 2025, 15.5% more than in 2024, according to the UAE Ministry of Foreign Trade (WAM, 2026). For Austrian exporters the UAE is thus a market whose trade regime is liberalising quickly, with or without an EU agreement, and whose role as a gateway increasingly extends to Türkiye as well as to the Gulf, South Asia and Africa.

Saudi Arabia, a WTO member since 2005, trades with the EU on most-favoured-nation terms; the 1988 EU–GCC Cooperation Agreement provides a framework for dialogue but no tariff preferences. The Kingdom's trade policy is shaped by Vision 2030, which aims to raise non-oil exports from 16% to 50% of non-oil GDP by 2030 (Vision 2030, 2016) and relies on large-scale public investment in infrastructure, tourism, health and industry; Callen et al. (2014) provide a framework for the diversification debate in the Gulf. The giga-projects and the expansion of the health and tourism sectors appear to be the demand channels most relevant for Austrian machinery, metals and chemicals. Since 2024, however, the project pipeline has been recalibrated: the Public Investment Fund has scaled back several giga-projects, most visibly NEOM. This includes relocating the Asian Winter Games 2029 which were planned in NEOM away from Saudi Arabia. The value of new contract awards fell sharply in 2025, while spending on other projects with fixed dates — the EXPO 2030, and the FIFA World Cup 2034 — has been protected (AGBI, 2026; MEED, 2026). For foreign suppliers this shifts the relevant demand from open-ended urban developments towards event-related infrastructure with firm deadlines. Access to this demand is, moreover, conditional on presence: since January 2024, Saudi government entities have generally been prohibited from awarding contracts with an estimated value exceeding SAR 1 million to multinational companies that have not established their regional headquarters for the Middle East and North Africa in the Kingdom. More than 350 companies had obtained such licences by early 2024, most of them in Riyadh (Albright Stonebridge Group, 2024). The programme is widely read as an attempt to compete with Dubai as the region's headquarters location, and it changes the terms on which Austrian firms can participate in Saudi public procurement (Section 3.4).

Türkiye is linked to the EU through the customs union of 1996, which provides free trade in industrial goods but leaves agriculture, services and public procurement outside its scope. Gravity-based estimates indicate that the customs union raised EU–Türkiye manufacturing trade by 55–65% beyond the preceding Ankara Agreement, with large heterogeneity across industries (Larch, Schmeißer and Wanner, 2021). Its modernisation has been on the agenda for a decade but has not progressed; without it, Türkiye faces trade losses as the EU concludes agreements with third countries to which it must open its market without reciprocity (Felbermayr, Aichele and Yalcin, 2016). The policy question for Türkiye is therefore not market access for industrial goods, which the customs union already provides, but the extension of integration to the areas it does not cover and the nearshoring of supply chains that the EU's economic-security agenda encourages. A further feature of Türkiye that bears on the two Gulf markets is the international reach of its construction sector. Turkish contractors have undertaken projects worth about USD 557.5 billion abroad since 1972 (TMB, 2026), 48 Turkish firms featured in the 2026 ENR list of the 250 largest international contractors, second only to China (ENR, 2026), and Saudi Arabia and the UAE have been among their

largest markets in recent years (TMB, 2026). Turkish firms thus act as main contractors on many of the Gulf projects that generate demand for the equipment and components in which Austria is specialised, and German trade promotion has begun to identify them explicitly as partners for European suppliers (GTAI, 2025).

Table 2: Three markets, three roles

	Market type	Trade regime with the EU	Main demand anchors	Austrian sectoral fit (symmetric RCA > 0)	Main risk
UAE	Regional hub / gateway; goods trade 146% of GDP	FTA under negotiation since 2025; CEPA network incl. Türkiye (2023)	Logistics and hub investment; re-exports to Gulf, South Asia, Africa	Transport equipment, wood, paper, metals, machinery, instruments	Hormuz exposure; competition from Asian suppliers
Saudi Arabia	Growth and project market; goods trade 44% of GDP	MFN; EU–GCC talks suspended since 2008; RHQ requirement for public contracts since 2024	Vision 2030 projects (recalibrated since 2024); EXPO 2030 Riyadh; health, tourism	Wood, metals, precious metals, paper, instruments	Oil-price dependence; Hormuz exposure; rising Chinese import share
Türkiye	Manufacturing economy in the EU customs union; goods trade 40% of GDP	Customs union (1996), modernisation pending	Automotive and green-tech supply chains; infrastructure; Turkish contractors active in the Gulf	Wood, paper, food, metals, stone/glass, machinery	Macroeconomic and currency volatility; political relations with the EU

Source: Own compilation based on Sections 2 and 3; trade data IMF IMTS 2025, CEPII BACI 2022–2024.

2.4 The geopolitical shocks of 2026

The war involving Iran that broke out in late February 2026 and the ensuing closure of the Strait of Hormuz have changed the short-term outlook for the two Gulf economies, as the WEO projections in Table 1 indicate. The IMF has lowered its 2026 growth forecast for the MENA region as a whole while revising its 2027 forecast upwards, on the assumption that the Strait gradually reopens and normal conditions return by early 2027 (IMF, 2026b; see also Flórez Mendoza and Stehrer, 2026). The three markets are exposed to the disruption to different degrees. The UAE is the most exposed: its main ports and most of its hydrocarbon exports lie inside the Strait, and the Habshan–Fujairah pipeline to the Gulf of Oman can carry only a fraction of its oil exports, so that both the re-export trade on which its hub function rests and its own imports are directly affected. Saudi Arabia can divert part of its crude exports through the East-West pipeline to Yanbu on the Red Sea, but this route has itself come under increasing risk from the conflict in Yemen and attacks on Red Sea shipping, and the Kingdom's Gulf-coast export capacity remains cut off. Türkiye is affected mainly indirectly, through higher energy prices and weaker demand in the Gulf markets for its contractors and exporters. Neither the duration of the disruption nor its longer-term consequences for trade routes and investment in the Gulf can be assessed at this point, and this brief does not attempt to quantify them. The descriptive picture in Section 3 and the scenario in Section 4 describe the structural, pre-shock relationship.

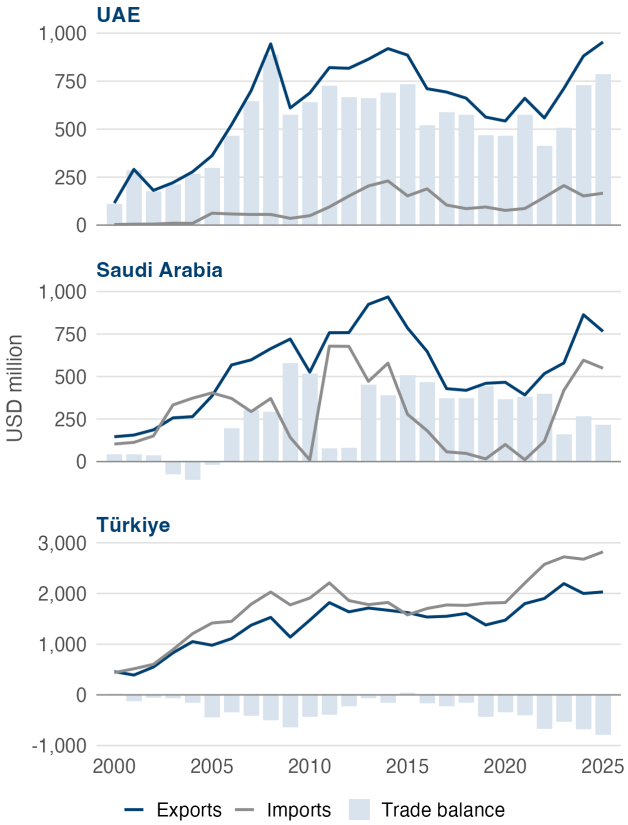
3. Trade with Austria

3.1 Austrian exports and imports, 2000–2025

The three markets together account for about 1.7% of Austrian goods exports and 5.5% of Austria's extra-EU exports. Figure 1 displays imports, exports and trade balance with the three countries from 2000 until 2025. In 2025, Austria exported USD 954 million to the UAE, USD 766 million to Saudi Arabia and USD 2,030 million to Türkiye. Türkiye ranks sixth among Austria's extra-EU export destinations, the UAE 16th and Saudi Arabia 20th. Austria's trade with the three countries shows a clear asymmetry between export and import relations: while Austria runs a structural surplus with both Gulf economies, from which it imports little (USD 166 million from the UAE and USD 549 million from Saudi Arabia in 2025, the latter largely petrochemicals), it runs a growing deficit with Türkiye, from which it imported USD 2.8 billion in 2025, mainly textiles, vehicles and machinery. Of the three, the relationship with Türkiye is thus the only one that resembles a two-way supply-chain relationship rather than a sales market.

The trajectories over time differ considerably, exports to the UAE grew fast between 2000 and 2008, reached a plateau of USD 800–950 million in the first half of the 2010s, fell back to USD 540 million in 2020 and only regained their 2008 level in 2025. Exports to Saudi Arabia peaked at USD 968 million in 2014 and roughly halved by 2017, a period that coincided with the oil-price collapse and a sharp contraction of Saudi import demand; they have since recovered to USD 766 million after a strong 2024. Exports to Türkiye rose steadily from about USD 0.5 billion in 2000 to USD 1.8 billion in 2011, without the setbacks seen in the Gulf markets, but have since fluctuated between USD 1.4 and 2.2 billion with no clear trend; at USD 2.0 billion in 2025 they are little higher in nominal terms than in 2011. Over the past decade, 2015–2025, Austria's exports to the UAE grew by 0.7% a year and those to Saudi Arabia fell by 0.3% a year, against annual growth of 3.1% for Austria's total extra-EU exports and 2.3% for exports to Türkiye. In relative terms, this points to a loss of ground in all three markets.

Figure 1: Austrian goods trade with the UAE, Saudi Arabia and Türkiye, 2000–2025, USD million

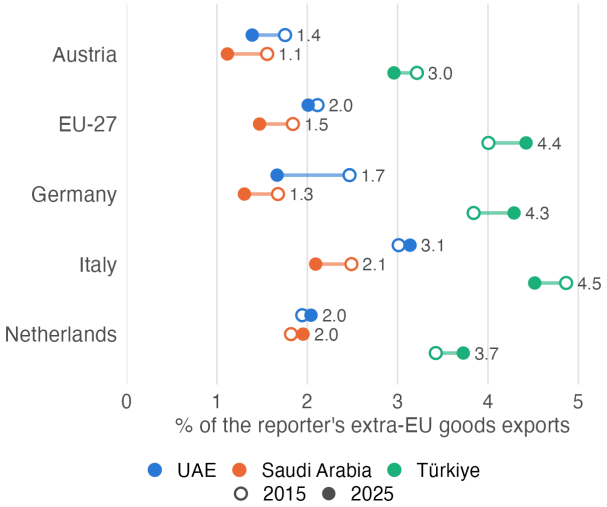


Source: IMF IMTS (Austria as reporter); own calculations.

3.2 Austria's position relative to other EU exporters

Figure 2 places Austria's export shares next to those of the EU-27 as a whole and of three comparable exporters. In 2025 the UAE, Saudi Arabia and Türkiye absorbed 1.4%, 1.1% and 3.0% of Austria's extra-EU exports, in each case below the EU-27 average (2.0%, 1.5% and 4.4%) and well below Italy (3.1%, 2.1% and 4.5%). Between 2015 and 2025 Austria's share declined in all three markets, while the EU-27's share rose in Türkiye, was broadly unchanged in the UAE and declined less than Austria's in Saudi Arabia. The importer-side data point in the same direction: Austria's share in the imports of the UAE fell from around 0.45% in the mid-2000s to below 0.3% in 2022–2024, its share in Saudi imports roughly halved from over 1% in 2009 to just over 0.4%, and its share in Turkish imports declined gradually from about 1.2% in 2003 to 0.65%. Taken together, this suggests that Austria is under-represented in the three markets relative to its peers and that the gap has widened over the past decade.

Figure 2: Share of the three markets in extra-EU goods exports, Austria vs. EU-27, Germany, Italy and the Netherlands, 2015 and 2025, in %

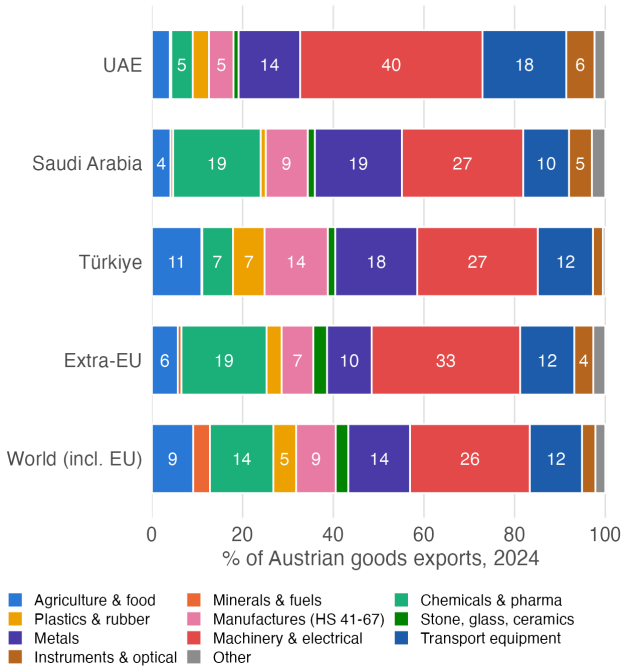


Note: Extra-EU exports are total exports minus exports to the 27 current EU members. Hollow markers 2015, filled markers 2025. Source: IMF IMTS (exporter-reported); own calculations.

3.3 Product composition and comparative advantages

Figure 3 illustrates the composition of Austrian exports to the three markets by product group. Machinery and electrical equipment account for the largest share in all three, but the degree of concentration differs. Exports to the UAE are dominated by machinery (40%, against 26% of Austria's exports worldwide and 33% of its extra-EU exports), followed by transport equipment (18%) and metals (14%). Exports to Saudi Arabia are more evenly spread across machinery (27%), chemicals and pharmaceuticals (19%) and metals (19%), a composition that appears consistent with the project- and health-sector demand associated with Vision 2030. Exports to Türkiye most closely resemble Austria's overall export basket, with machinery (27%), metals (18%) and the manufactures group (14%, mainly paper and wood) in front, and with a sizeable food component (11%) that is absent in the Gulf. Overall, the Austrian export structure to Türkiye and Saudi Arabia is similar, while exports to the latter have a larger share of chemicals and pharmaceuticals.

Figure 3: Product composition of Austrian goods exports by market, 2024, shares in %



Source: CEPII BACI HS02 (release 2026-01); own calculations.

Comparing the structure of Austrian exports to the three countries with the structure of EU exports to the same countries indicates in which sectors Austria is specialised relative to its European peers. Figure 4 reports the symmetric revealed comparative advantage (RCA) by HS section, where the RCA is the share of a section in Austrian exports to the market relative to its share in EU-27 exports to the same market; the index ranges from −1 to +1, and positive values indicate a relative strength of Austria compared with the EU-27, negative values a relative weakness. Austria shows a clear relative strength in all three markets in wood and articles of wood (HS section IX, with values of 0.62 to 0.68), pulp and paper (section X) and base metals (section XV), and a modest one in machinery and electrical equipment (section XVI). Transport equipment (section XVII) appears as a relative strength in the UAE (0.35) but as a relative weakness in Türkiye (−0.29), and optical and precision instruments (section XVIII) as a modest strength in the two Gulf markets but not in Türkiye. The comparison also shows where Austria's European competitors have a markedly stronger presence(2022-2024 averages): chemicals and pharmaceuticals (section VI) account for about 14% of EU-27 exports to the UAE and 11% to Türkiye but for only 6–7% of Austria's, transport equipment makes up 22% of EU-27 exports to Türkiye against 12% of Austria's, and processed food and beverages (section IV) reach 5–8% of EU-27 exports to the two Gulf markets compared with 3–4% for Austria. These gaps largely mirror Austria's industrial structure relative to its larger EU partners — a comparatively small pharmaceutical sector and no volume car producer — rather than obstacles specific to the three markets. The patterns on both sides are broadly similar to those found for Austria's exports to North Africa (Flórez Mendoza and Stehrer, 2026), which suggests that they reflect Austria's export specialisation in general rather than features specific to the Gulf or Türkiye. Sections with very small shares in both Austrian and EU-27 exports are greyed out in Figure 4, since their values rest on a few shipments and should not be over-interpreted.

Figure 4: Austria's symmetric revealed comparative advantage by HS section and market, average 2022–2024

	UAE	Saudi Arabia	Türkiye
I Live animals	-0.46	-0.85	0.32
II Vegetable products	-0.66	-0.87	-0.31
III Fats and oils	-0.94	-0.65	-0.69
IV Prepared food, beverages	-0.25	-0.30	0.51
V Mineral products	-0.88	-0.81	-0.87
VI Chemicals	-0.41	0.00	-0.25
VII Plastics, rubber	-0.05	-0.47	-0.04
VIII Hides, leather	-0.95	-0.88	-0.95
IX Wood	0.68	0.68	0.62
X Pulp, paper	0.44	0.19	0.25
XI Textiles	-0.59	-0.71	0.53
XII Footwear, headgear	-0.90	-0.64	-0.68
XIII Stone, ceramics, glass	-0.14	0.05	0.20
XIV Precious stones, metals	-0.96	0.49	-0.86
XV Base metals	0.30	0.40	0.19
XVI Machinery, electrical	0.14	0.04	0.04
XVII Transport equipment	0.35	-0.03	-0.29
XVIII Instruments, clocks	0.12	0.08	-0.09
XIX Arms	-0.02	-0.76	-0.27
XX Misc. manufactures	-0.30	0.29	-0.35
XXI Art, antiques, special	-0.25	-0.61	0.59

Symmetric RCA, (RCA - 1)/(RCA + 1)

-1 -0.5 0 +0.5 +1

Note: Symmetric RCA = (RCA − 1)/(RCA + 1), where RCA is the share of the section in Austrian exports to the market divided by its share in EU-27 exports to the market, 2022–2024 average; the index ranges from −1 to +1, positive values indicating a relative strength of Austria compared with the EU-27. Grey cells: section below 1% of both Austrian and EU-27 exports to the market. Source: CEPII BACI HS02 (release 2026-01); own calculations.

3.4 Beyond goods trade: hubs, headquarters and subcontracting

Goods trade statistics are likely to understate Austria's economic engagement with the UAE in particular: the UAE reported imports from Austria of USD 1,558 million in 2025, 1.6 times the USD 954 million that Austria recorded as exports to the UAE. Part of this gap reflects the usual difference between CIF and FOB valuation, but a large part is likely to reflect goods that Austria records against an intermediate European destination and that reach the Emirates through third-country logistics. Hub economies systematically record trade that originates or ends elsewhere, so that reporter and partner statistics diverge, as has been documented for

Hong Kong (Feenstra and Hanson, 2004; Fisman, Moustakerski and Wei, 2008). The UAE's own statistics therefore appear to capture a larger Austrian footprint than Austria's do, and given the UAE's re-export share, some of that footprint is likely to serve markets beyond the Emirates. This is consistent with the gateway function attributed to the UAE, and with the observation in the firm-level literature that firms tend to enter distant markets sequentially, using one market as a base from which to expand to its neighbours (Albornoz et al., 2012).

Two further dimensions of Austria's presence in the three markets are not visible in bilateral trade data at all. The first is the location of regional headquarters: whether a firm serves a market by exporting or through local presence depends on firm characteristics and market size (Helpman, Melitz and Yeaple, 2004), and the literature on headquarters location shows that firms weigh market access, the availability of business services and connectivity when choosing where to locate regional management functions (Strauss-Kahn and Vives, 2009; Defever, 2006). In the Gulf this choice has become a policy instrument: Dubai has long been the default regional base, and Saudi Arabia's regional headquarters programme now ties access to public contracts to a headquarters in the Kingdom (Section 2.3). For Austrian firms this means that the choice of a regional base increasingly determines which procurement markets are open to them directly.

The second dimension is indirect participation through subcontracting: a sizeable part of the demand generated by Gulf projects reaches European suppliers not as direct exports to the project owner but as deliveries to the main contractor, which may be a multinational with a regional headquarters in Riyadh or Dubai or a Turkish construction group (Section 2.3). In the trade statistics such deliveries appear as exports to wherever the contractor sources them, which may be a third country rather than the project location. The firm-level literature suggests that becoming a supplier to multinational firms is associated with substantial and persistent gains for the supplying firm in sales, employment and productivity (Javorcik, 2004; Alfaro-Ureña, Manelici and Vasquez, 2022), and that intermediaries play an important role in connecting smaller exporters to distant markets (Ahn, Khandelwal and Wei, 2011). For Austrian firms in construction-related sectors — machinery, metals, building technology, engineering services — the relevant question is therefore not only how to win contracts in Saudi Arabia or the UAE directly, but how to position themselves in the supply chains of the main contractors that do. Austria's comparatively strong and two-way trade relationship with Türkiye (Section 3.1) may be an asset in this respect that the bilateral trade figures for the Gulf do not reveal.

4. A free trade agreement scenario for the UAE

4.1 Approach

The descriptive evidence in Section 3 suggests that Austria is under-represented in the three markets relative to its EU peers while having relative strengths in specific sectors, but descriptive statistics alone cannot tell how much of that gap is attributable to trade costs that policy can influence. To shed light on this question, this section draws on the gravity model of international trade, which explains how much two countries trade with each other on the basis of their economic size and the costs of trading between them, including tariffs, regulatory barriers and distance. Estimated on bilateral trade flows between 229 countries over 2002–2024, the model allows one to measure by how much trade agreements have, on average, raised trade between their members once differences in country size, geography and all other partner-specific factors are accounted for. The estimation follows the current state of the art (Yotov et al., 2016; Larch and Yotov, 2024; Larch, Shikher and Yotov, 2025), which addresses the methodological concerns raised in the earlier literature, notably that countries which trade more are also more likely to sign agreements (Baier and Bergstrand, 2007), allows the effect to build up over the years after an agreement enters into force, and allows it to differ across sectors (Baier, Yotov and Zylkin, 2019) and by the direction of trade. Technical details are given in the appendix.

The analysis considers a single scenario: a free trade agreement between the EU and the UAE, the agreement currently under negotiation. Because that agreement has no history yet, the effects of the EU's existing agreements are used as the yardstick, and only agreements of a comparable type enter the comparison: reciprocal free trade agreements between the EU and non-EU partners, such as those with Korea, Canada, Japan, Chile or the Mediterranean countries. Agreements under which the partner already enjoyed duty-free access to the EU before signing — the Economic Partnership Agreements with African, Caribbean and Pacific states and the Stabilisation Agreements with the Western Balkans — are kept apart, since they have little in common with an agreement with the UAE, which currently trades with the EU on most-favoured-nation terms. The sector-specific effects of reciprocal EU agreements on EU-member exports are then applied to Austria's average exports to the UAE in 2022–2024, the pre-shock baseline, to gauge by how much these exports could be expected to change by sector once a comparable agreement has taken effect. The results are expressed as percentage changes and in USD million and are to be read as indicative orders of magnitude rather than forecasts. Saudi Arabia is not modelled because no EU agreement is in prospect,

and Türkiye is not modelled because the customs union already provides free trade in industrial goods (Section 2.3).

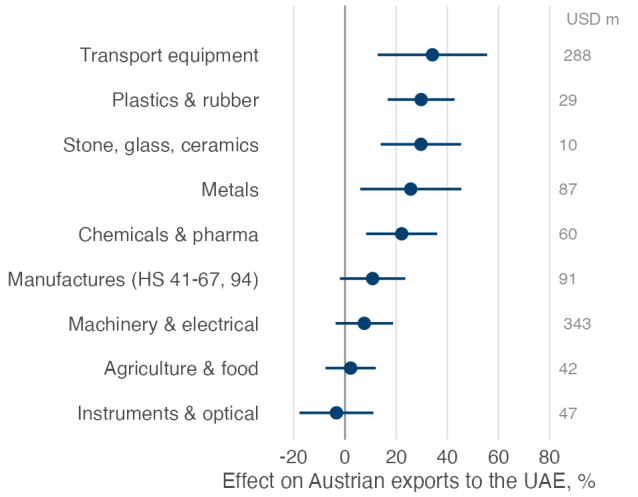
4.2 Results

Figure 5 summarises the results; the underlying estimates by sector are reported in the appendix (Table A.2). Across all goods, a reciprocal agreement of the kind the EU has concluded with other partners is associated with an increase in Austrian exports to the UAE of about 18% in the medium to long run, or roughly USD 180 million a year at 2022–2024 export levels, with a range across sectors that is wide enough to matter for the interpretation. The effects are largest in the sectors in which partner countries typically maintained the highest tariffs before their agreements with the EU: transport equipment (+34%, with a 95% confidence interval of +13% to +56%), plastics and rubber (+30%), stone, glass and ceramics (+30%), metals (+26%) and chemicals and pharmaceuticals (+22%). The effect on machinery and electrical equipment, which accounts for a third of Austrian exports to the UAE, is small at +8% and not statistically distinguishable from zero, which is consistent with the low tariffs that machinery faces in most markets and with the duty-free treatment of much electronic equipment under the WTO Information Technology Agreement. For agriculture and food (+2%) and instruments (−3%) no measurable effect can be identified, and the two smallest categories, with Austrian exports to the UAE below USD 10 million, are not shown in Figure 5 because their estimates are not interpretable.

In absolute terms the aggregate effect of about USD 180 million is made up of some USD 98 million in transport equipment, USD 26 million in machinery, USD 22 million in metals and USD 13 million in chemicals; transport equipment and metals thus account for about two thirds of the total, machinery for a further seventh, while the sectors with the highest percentage effects — plastics, chemicals and stone and glass — contribute less because Austria exports comparatively little of them to the UAE. Transport equipment and metals, which account for two thirds of the estimated effect, are also sectors in which Austria holds a revealed comparative advantage relative to the EU in the UAE market (Figure 4), so that an agreement would mainly reinforce an existing specialisation; chemicals, by contrast, is a sector in which Austria's EU competitors are markedly stronger, and the gains there would start from a small base. The effects build up over time: the estimates for the first two years after entry into force are smaller than those for later years in most sectors, so that the figures above describe the situation several years after an agreement has taken effect.

Figure 5: Estimated change in Austrian exports to the UAE under an EU–UAE free trade agreement, by sector, in % with 95% confidence intervals

Heatmap of the symmetric revealed comparative advantage (RCA) of Austrian exports to the UAE, Saudi Arabia and Türkiye by 21 product sections, on a scale from −1 to +1. Wood shows a strong advantage for all three partners (0.62 to 0.68), and pulp and paper, base metals and machinery are also positive throughout. Mineral products show a strong disadvantage everywhere (−0.81 to −0.88). Further notable values are precious stones and metals (UAE −0.96, Saudi Arabia +0.49, Türkiye −0.86) and textiles and prepared food for Türkiye (+0.53 and +0.51).



Note: Point estimates and 95% confidence intervals of the medium-to-long-run effect (3+ years after entry into force) of a reciprocal EU free trade agreement on EU-member exports, applied to Austrian exports to the UAE; standard errors clustered by country pair; sectors ordered by effect size; right-hand labels give Austria's average exports to the UAE 2022–2024 in USD million. Sectors with baseline exports below USD 10 million (Other; Minerals & fuels) are not shown. Source: CEPII BACI HS02 (release 2026-01), USITC Dynamic Gravity Database; own estimations.

4.3 What the scenario can and cannot say

Several caveats apply to these results, first, they are sector-level estimates of market potential. Trade models capture adjustment at the sector level and allow no inference about the situation of individual firms. Second, the scenario is a partial-equilibrium calculation that applies the estimated agreement effects to Austria's current exports while holding trade with all other partners, prices and third-country trade constant — in particular, it does not account for the fact that all other EU exporters would gain the same access to the UAE market at the same time, which a general-equilibrium analysis would capture and which would tend to reduce the effect for any single member state. It captures the effect of lower trade costs on goods exports, not decisions on regional headquarters, establishment abroad or services trade. Third, the estimates reflect the experience of the EU's existing reciprocal agreements, whose partners typically applied higher tariffs than the UAE before liberalisation, in some cases substantially higher — the sector pattern of the results, with the largest effects in vehicles, plastics and metals, is consistent with tariffs being the main channel, although regulatory provisions such as rules of origin and the mutual recognition of standards, which

feature prominently in the EU's agreements with Korea and Japan, may also have contributed, particularly in transport equipment. The UAE, by contrast, applies the GCC common external tariff of 5% on most goods and zero on many, so that an agreement with the UAE has less tariff to remove than the average agreement in the sample; the figures above should therefore be read as an upper bound unless the regulatory, services and procurement provisions of a deep EU agreement contribute effects of a similar size. Fourth, part of Austria's transport-equipment exports to the UAE consists of aircraft and parts, which the UAE already admits duty-free and to which the tariff-driven estimate for transport equipment therefore does not apply. Finally, the baseline is the pre-shock trade relationship of 2022–2024; the scenario indicates what an agreement could be expected to do under normal conditions, not when those conditions will return.

5. Conclusions: opportunities and challenges for Austria

In conclusion, this policy brief has examined the role of the UAE, Saudi Arabia and Türkiye for Austria's export economy. The three markets are small for Austria in absolute terms, accounting for 5.5% of its extra-EU exports, and they have become relatively smaller over the past decade: exports to the two Gulf economies have stagnated since 2015 while Austria's extra-EU exports as a whole grew by about 3% a year, and Austria's share in the imports of all three countries has declined since the early 2000s. Compared with the EU-27 and with Germany, Italy and the Netherlands, Austria appears under-represented in all three markets, and the gap has widened. At the same time, where Austria does export to these markets, it does so from positions of relative strength. Metals, wood and paper products, machinery to a modest degree, instruments in the two Gulf markets and, in the case of the UAE, transport equipment all show a revealed comparative advantage against the EU average, and these are sectors that correspond to the infrastructure, industrial and project-related demand that the three economies are expected to generate. Taken together, these patterns suggest that the question for Austrian trade policy is not whether Austrian firms have products to offer in these markets, but why they sell relatively less there than their European competitors.

The three markets call for different approaches. For the **UAE**, the free trade agreement under negotiation between the EU and the UAE appears to be the main lever: it would lower trade costs in sectors where Austria is already specialised, and given the UAE's hub function it could also facilitate access to markets beyond the Emirates. The gravity-model scenario in Section 4 indicates an increase of Austrian exports to the UAE of the order of 18% in the medium to long run, roughly USD 180 million, more than half of it in transport equipment, followed by machinery, metals and chemicals, although the effect in machinery is small in relative terms and statistically uncertain; given the UAE's low tariffs this should be read as an upper bound, and the agreement's value for Austrian exporters is likely to depend as much on its regulatory, services and procurement provisions as on tariff elimination. For **Saudi Arabia**, Austrian machinery, metals and chemicals, which together make up two thirds of Austrian exports to the Kingdom, appear to match the demand profile of Vision 2030, although Austria holds no comparative advantage relative to its EU competitors in chemicals, while Austria's declining import share may indicate that presence in procurement networks rather than product fit is the binding constraint. The recalibration of the giga-projects and the regional headquarters requirement reinforce this reading: demand is concentrating on event-related infrastructure with fixed deadlines, and direct access to public contracts now presupposes a regional presence in the Kingdom. Austrian firms can meet this condition either directly, by establishing or joining a regional headquarters, or indirectly, as suppliers and subcontractors to the multinationals and Turkish contractors that hold the main contracts. For **Türkiye**, the relevant levers lie in the modernisation of the customs union and in the nearshoring of supply chains, where Austria's two-way trade relationship provides a starting position that the Gulf markets do not offer. The modernisation of the customs union is, however, a matter for the EU, where it has been on hold since 2018. Export promotion services have been found to help smaller firms enter new markets and products (Volpe Martincus and Carballo, 2008, 2010; Munch and Schaur, 2018), and export credit guarantees to raise exports where payment and currency risk is elevated (Badinger and Url, 2013; Felbermayr and Yalcin, 2013), an instrument that OeKB, Austria's export credit agency, already deploys in Türkiye through credit facilities for Turkish importers and general contractors (OeKB, 2025). The international reach of Turkish contractors and the rapid growth of UAE–Türkiye trade under their 2023 agreement also suggest that the three markets should not be seen in isolation: a stronger position in Türkiye may translate into indirect access to Gulf project demand, and, as the Trans-Caspian Transport Corridor through Türkiye and the South Caucasus is developed with EU support under Global Gateway (European Commission, 2024), to project demand in the South Caucasus and Central Asia, where Turkish contractors have long been among the leading foreign firms.

Across the three markets, export promotion can support such efforts, particularly on the extensive margin of new markets and products (Lederman, Olarreaga and Payton, 2010; Volpe Martincus and Carballo, 2008, 2010), although the evidence on diplomatic presence and trade missions is mixed (Rose, 2007; Head and Ries, 2010). The regional shock of 2026 adds a layer of uncertainty to all three markets that this brief has not attempted to quantify. Austrian engagement with the Gulf and with Türkiye will

therefore need to be weighed against risks whose magnitude is not yet known; the structural evidence presented here suggests, however, that the sectoral basis for a stronger Austrian presence in these markets exists.

6. References

AGBI (2026). Saudi Arabia scales back giga-projects to focus on 2034 World Cup. Arabian Gulf Business Insight, 2 February 2026.

Ahn, J., Khandelwal, A. K., & Wei, S.-J. (2011). The role of intermediaries in facilitating trade. Journal of International Economics, 84(1), 73–85.

Albornoz, F., Calvo Pardo, H. F., Corcos, G., & Ornelas, E. (2012). Sequential exporting. Journal of International Economics, 88(1), 17–31.

Albright Stonebridge Group (2024). Saudi Arabia's Regional Headquarters Program: Where are we now and what's next? Analysis, May 2024.

Alfaro-Ureña, A., Manelici, I., & Vasquez, J. P. (2022). The effects of joining multinational supply chains: New evidence from firm-to-firm linkages. Quarterly Journal of Economics, 137(3), 1495–1552.

Badinger, H., & Url, T. (2013). Export credit guarantees and export performance: Evidence from Austrian firm-level data. The World Economy, 36(9), 1115–1130.

Baier, S. L., & Bergstrand, J. H. (2007). Do free trade agreements actually increase members' international trade? Journal of International Economics, 71(1), 72–95.

Baier, S. L., Yotov, Y. V., & Zylkin, T. (2019). On the widely differing effects of free trade agreements: Lessons from twenty years of trade integration. Journal of International Economics, 116, 206–226.

Callen, T., Cherif, R., Hasanov, F., Hegazy, A., & Khandelwal, P. (2014). Economic diversification in the GCC: Past, present, and future. IMF Staff Discussion Note 14/12.

Correia, S., Guimarães, P., & Zylkin, T. (2020). Fast Poisson estimation with high-dimensional fixed effects. The Stata Journal, 20(1), 95–115.

Defever, F. (2006). Functional fragmentation and the location of multinational firms in the enlarged Europe. Regional Science and Urban Economics, 36(5), 658–677.

ENR (2026). The Top 250 International Contractors 2026. Engineering News-Record, August 2026.

European Commission (2024). Global Gateway: EU and Central Asian countries agree on building blocks to develop the Trans-Caspian Transport Corridor. Directorate-General for International Partnerships, news announcement, 30 January 2024.

FCSC (2021). UAE re-export trade 2020. Federal Competitiveness and Statistics Centre, press release, 28 June 2021.

Feenstra, R. C., & Hanson, G. H. (2004). Intermediaries in entrepôt trade: Hong Kong re-exports of Chinese goods. Journal of Economics & Management Strategy, 13(1), 3–35.

Felbermayr, G., Aichele, R., & Yalcin, E. (2016). Turkey's EU integration at a crossroads. ifo Institute / Bertelsmann Stiftung; summary in VoxEU, "EU-Turkish customs union: How to proceed".

Felbermayr, G., & Yalcin, E. (2013). Export credit guarantees and export performance: An empirical analysis for Germany. The World Economy, 36(8), 967–999.

Fisman, R., Moustakerski, P., & Wei, S.-J. (2008). Outsourcing tariff evasion: A new explanation for entrepôt trade. Review of Economics and Statistics, 90(3), 587–592.

Flórez Mendoza, J., & Stehrer, R. (2026). North African economies: Recent developments and linkages with the EU and Austria. FIW Policy Brief No. 75, October 2026.

GTAI (2025). Türkischer Auslandsbau wächst – Partner gesucht. Germany Trade & Invest, Branchenbericht Türkei, 2025.

Head, K., & Ries, J. (2010). Do trade missions increase trade? Canadian Journal of Economics, 43(3), 754–775.

Helpman, E., Melitz, M. J., & Yeaple, S. R. (2004). Export versus FDI with heterogeneous firms. American Economic Review, 94(1), 300–316.

IMF (2025). United Arab Emirates: 2025 Article IV Consultation — Press Release; Staff Report. IMF Country Report No. 25/327, December 2025.

IMF (2026a). IMF Executive Board concludes 2026 Article IV Consultation with Saudi Arabia. Press Release No. 26/267, 29 July 2026.

IMF (2026b). World Economic Outlook: Resilience Under Strain, Urgent Choices. International Monetary Fund, Washington, DC, October 2026.

Javorcik, B. S. (2004). Does foreign direct investment increase the productivity of domestic firms? In search of spillovers through backward linkages. American Economic Review, 94(3), 605–627.

Kalaitzi, A. S., & Chamberlain, T. W. (2019). Further evidence on export-led growth in the United Arab Emirates: Are non-oil exports or re-exports the key to economic growth? Review of Middle East Economics and Finance, 15(2).

Larch, M., Schmeißer, A. F., & Wanner, J. (2021). A tale of (almost) 1001 coefficients: The deep and heterogeneous effects of the EU–Turkey customs union. Journal of Common Market Studies, 59(2), 242–260.

Larch, M., & Yotov, Y. V. (2024). Estimating the effects of trade agreements: Lessons from 60 years of methods and data. The World Economy, 47(5), 1771–1799.

Larch, M., Shikher, S., & Yotov, Y. V. (2025). Estimating gravity equations: Theory implications, econometric developments, and practical recommendations. CGPA Working Paper 2025-01, Center for Global Policy Analysis, LeBow College of Business, Drexel University.

Lederman, D., Olarreaga, M., & Payton, L. (2010). Export promotion agencies: Do they work? Journal of Development Economics, 91(2), 257–265.

MEED (2026). Tracking Saudi Arabia's gigaprojects programme. MEED Projects, December 2025.

Munch, J., & Schaur, G. (2018). The effect of export promotion on firm-level performance. American Economic Journal: Economic Policy, 10(1), 357–387.

Nagengast, A. J., & Yotov, Y. V. (2025). Staggered difference-in-differences in gravity settings: Revisiting the effects of trade agreements. American Economic Journal: Applied Economics, 17(1), 271–296.

Oberhofer, H., Christen, E., Astrov, V., Stehrer, R., Ertl, M., Wende, A., Weyerstraß, K. (2026). FIW-Jahresgutachten Die österreichische Außenwirtschaft 2026, FIW – Forschungsschwerpunkt Internationale Wirtschaft.

OeKB (2025). Finanzierung österreichischer Exporte in die Türkei, news release, July 2025.

OECD (2025). OECD Economic Surveys: Türkiye 2025. OECD Publishing, Paris.

Rose, A. K. (2007). The foreign service and foreign trade: Embassies as export promotion. The World Economy, 30(1), 22–38.

Strauss-Kahn, V., & Vives, X. (2009). Why and where do headquarters move? Regional Science and Urban Economics, 39(2), 168–186.

TMB (2026). Turkish International Contracting Services 1972–2025. Türkiye Müteahhitler Birliği, February 2026.

Vision 2030 (2016). Saudi Vision 2030. Kingdom of Saudi Arabia, Council of Economic and Development Affairs, April 2016.

Volpe Martincus, C., & Carballo, J. (2008). Is export promotion effective in developing countries? Firm-level evidence on the intensive and the extensive margins of exports. Journal of International Economics, 76(1), 89–106.

Volpe Martincus, C., & Carballo, J. (2010). Beyond the average effects: The distributional impacts of export promotion programs in developing countries. Journal of Development Economics, 92(2), 201–214.

WAM (2026). UAE, Türkiye continue strengthening strategic trade, investment partnership. Emirates News Agency, 8 May 2026.

Wooldridge, J. M. (2023). Simple approaches to nonlinear difference-in-differences with panel data. The Econometrics Journal, 26(3), C31–C66.

Yotov, Y. V., Piermartini, R., Monteiro, J.-A., & Larch, M. (2016). An advanced guide to trade policy analysis: The structural gravity model. WTO and UNCTAD.

7. Appendix: Estimation approach

Data. Bilateral goods trade comes from CEPII's BACI database (HS 2002 classification, release 2026-01), covering 229 countries for 2002–2024. HS6 flows are aggregated to HS 2-digit chapters and assigned to the eleven product groups used in Section 3 (Table A.1). For each group the panel contains all directional country pairs and years, including zero flows, for pairs that record positive trade in at least one year of the sample; pairs with no trade in any year contribute no information to the estimation and are omitted. The estimation uses international trade flows only; without domestic trade flows, non-discriminatory trade costs and time-varying border effects are not separately identified, the agreement effects are identified relative to the trade of all other country pairs, and the counterfactual is confined to partial equilibrium (Larch, Shikher and Yotov, 2025). Trade agreements are taken from the USITC Dynamic Gravity Database (release 2.1, through 2019), carried forward to 2024 and updated by hand for all agreements entering into force in 2020–2024, including the EU–UK Trade and Cooperation Agreement, RCEP, the EU's agreements with Vietnam, New Zealand and Kenya and the UAE's economic partnership agreements; the UK is treated as an EU member through 2020, and its continuity agreements retain the entry year of the EU agreement they replace.

Specification. Following the recommendations of Larch, Shikher and Yotov (2025), the model is estimated separately for each product group by Poisson pseudo-maximum likelihood on annual data, pooling the group's HS chapters k:

$$X_{ijkt} = \exp\left[\alpha_{ikt} + \gamma_{jkt} + \mu_{ijk} + \sum_b \beta_b^X R_{ij,b(t)}^X + \sum_b \beta_b^M R_{ij,b(t)}^M + \beta_L R_{ij,t+1} + \theta' Z_{ijt}\right] \cdot \varepsilon_{ijkt}$$

where X_ijkt denotes exports from i to j in chapter k and year t; a_ikt and γ_jkt are exporter-chapter-year and importer-chapter-year fixed effects, which absorb all country-specific determinants of trade including output, prices and multilateral resistance; μ_ijk are directional pair-chapter fixed effects, which absorb all time-invariant bilateral trade costs and address the endogeneity of agreement formation (Baier and Bergstrand, 2007). R^X_ij,b(t) indicates that i and j are linked by a reciprocal free trade agreement between the EU and a non-EU partner, with the EU member as exporter, that has been in force for b ∈ {0–2, 3–5, 6–8, 9–11, 12+} years; R^M is the corresponding indicator with the EU member as importer; R_ij,t+1 is a one-year lead to detect anticipation. Z_ijt contains indicators for other agreement types — the EU's Economic Partnership Agreements and Stabilisation and Association Agreements, non-EU free trade agreements in three duration blocks, customs unions and the EU–UK agreement — so that the coefficients of interest are identified only from reciprocal EU agreements. Standard errors are clustered by directional country pair; clustering by exporter, importer and year is used as a robustness check. Observations perfectly predicted by the fixed effects are removed following Correia, Guimarães and Zylkin (2020). Estimation uses the fasthdfe package in Python and was replicated with ppmlhdfe in Stata.

Identification. The coefficients are identified from the 748 directional pairs that enter a reciprocal EU agreement during 2002–2024, including the pairs formed when the member states acceding in 2004, 2007 and 2013 inherited the EU's existing agreements. Agreements of the EU with partners that already enjoyed duty-free access to the EU market are excluded from the treatment because they have little in common with an agreement with the UAE, which trades with the EU on most-favoured-nation terms. The 12+ block is identified only from agreements entering into force by 2012 — Chile, the Euro-Mediterranean agreements, Korea and the accession-inherited spells — which is why the medium-to-long-run effect is reported as the average over the blocks from three years onwards rather than from the 12+ block alone.

Scenario. For each product group, the medium-to-long-run effect is the average of β^X over the four blocks from three years after entry into force onwards, with its standard error obtained by the delta method from the clustered covariance matrix. The percentage effect, 100·[exp(β^X) − 1], is applied to Austria's average exports to the UAE in 2022–2024 in that group to obtain the effect in USD; the aggregate effect is the sum over groups. The scenario is a partial-equilibrium calculation and holds all other trade flows and prices constant; it assumes that Austria responds to an agreement like the average EU member and the UAE like the average partner in the estimation sample, the latter assumption being discussed in Section 4.3. Confidence intervals apply the delta method to 100·[exp(β)−1] and are therefore symmetric around the point estimate; intervals based on exp(β̂ ± 1.96·SE) would be slightly asymmetric.

Robustness. Results are similar when accession-inherited agreements are excluded from the treatment

and when the heterogeneity-robust estimator of Wooldridge (2023), as applied to gravity by Nagengast and Yotov (2025), is used for the three largest groups Using all EU agreements as the treatment, including Economic Partnership and Stabilisation Agreements, yields substantially smaller effects, which reflects the asymmetric nature of those agreements rather than a smaller effect of liberalisation. In a specification with a single indicator for any agreement in force, the EU–UK agreement shows a reduction of trade of about 28% in machinery, in line with estimates of the trade effects of Brexit, and customs unions an increase of about 26% for all goods pooled, which supports the behaviour of the estimator.

Table A.1: Assignment of HS chapters to product groups

Product group	HS chapters
Agriculture & food	01–24
Minerals & fuels	25–27
Chemicals & pharma	28–38
Plastics & rubber	39–40
Manufactures	41–67, 94
Stone, glass, ceramics	68–70
Metals	71–83
Machinery & electrical	84–85, 93
Transport equipment	86–89
Instruments & optical	90–91
Other	92, 95–97

Note: Chapter 71 (precious stones and metals) is assigned to Metals, 93 (arms) to Machinery, 94 (furniture) to Manufactures and 92 (musical instruments) to Other, following the ISIC-based grouping of these products; chapter 99 (special transactions) is excluded. The grouping otherwise follows FIW Policy Brief No. 75.

Table A.2: Estimated effects of reciprocal EU free trade agreements on EU-member exports, by product group

Product group	3+ years, average β (SE)	12+ years β (SE)	Effect 3+ (%)
Agriculture & food	0.022 (0.049)	0.114 (0.063)	+2.2
Minerals & fuels	0.444 (0.179)	0.277 (0.217)	+55.9
Chemicals & pharma	0.200 (0.058)	0.309 (0.095)	+22.2
Plastics & rubber	0.260 (0.051)	0.333 (0.067)	+29.7
Manufactures	0.102 (0.059)	0.093 (0.077)	+10.8
Stone, glass, ceramics	0.260 (0.062)	0.337 (0.085)	+29.7
Metals	0.229 (0.080)	0.198 (0.120)	+25.7
Machinery & electrical	0.073 (0.053)	0.091 (0.071)	+7.6
Transport equipment	0.294 (0.081)	0.346 (0.102)	+34.2
Instruments & optical	−0.034 (0.076)	−0.070 (0.084)	−3.3
Other	−0.042 (0.076)	−0.020 (0.110)	−4.1

Note: PPML estimates with exporter-chapter-year, importer-chapter-year and directional pair-chapter fixed effects; standard errors clustered by directional country pair. "3+ years" is the average of the coefficients for 3–5, 6–8, 9–11 and 12+ years after entry into force (delta-method SE). Effect = 100·[exp(β)−1]. N = observations after removal of singletons and separated observations. Source: own estimations.

Author:
Heider Kariem
WIFO – Austrian Institute of Economic Research
E-mail: heider.kariem@wifo.ac.at

Imprint:

FIW Policy Briefs are published at irregular intervals on current foreign trade topics. Publisher is the FIW - Research Centre International Economics. The authors are responsible for the content of the Policy Briefs.
FIW offers a research platform, information on topics relevant to foreign trade and access to economic databases. It is a cooperative project of the Vienna University of Economics and Business, the University of Vienna, the Johannes Kepler University Linz, the University of Innsbruck, the Austrian Institute of Economic Research, the Vienna Institute for International Economic Studies and the Institute for Advanced Studies.

FIW is supported by the Federal Ministry for Women, Science and Research as well as the Federal Ministry of Economy, Energy and Tourism

Contact:
FIW project office
c/o WIFO
Arsenal, Object 20
1030 Vienna
Phone: +43 1 728 26 01 / 335
E-mail: fiw-pb@fiw.ac.at
Website: https://www.fiw.ac.at